

UNLOCKING DIGITAL PERFORMANCE
2025 OUTLOOK | MORTGAGE INDUSTRY



Smart Underwriting, Digital-First Platforms, and Deeper Collaboration With Fintechs



Mortgage in 2025

The US mortgage industry is always in flux. In 2024, delinquencies and foreclosures remained relatively low, suggesting a stabilizing of the housing market. Yet, economic uncertainties and inflationary pressures persist, and credit card debt is increasing across the board, adding complexity to housing affordability for homeowners and associated challenges for lenders.

These market conditions, combined with a continually evolving regulatory landscape and shifting customer expectations, has set the stage for significant transformation. The industry is at a pivotal moment for change as a result – creating hurdles to overcome but also new opportunities for lenders that are prepared to lean into technology to adapt.

Although the mortgage industry has already benefited from automation and initial investments in data analytics, the next wave of opportunity on the horizon in 2025 and beyond will deliver on the widespread integration of AI.

From advanced decision-making to driving new efficiencies with digital workflows, embracing this technology will help lenders solve both short- and long-term challenges. This will include eliminating paper-heavy approaches that exist, delivering personalized borrower experiences, and introducing predictive analytics to overhaul risk assessments and underwriting practices. Together, this will set the foundation for new, digital-first operations that will unlock efficiencies and opportunities for lowering customer acquisition costs.

Opportunities for mortgage lenders in 2025

- **Smart underwriting:** Traditional underwriting processes create bottlenecks that result in delays and operational headaches. AI can streamline Federal Housing Administration (FHA) loan underwriting processes by automating document handling, income verification, credit analysis, and risk modeling, reducing underwriting cycle times by 50% while improving risk assessments.
- **Customer-centric, self-service platforms:** Borrowers expect tailored recommendations and loan products, faster loan approvals and real-time updates on application status, and seamless transitions between mobile apps, web platforms, and physical branches. Setting the foundations for AI success will help lenders deliver this.
- **Deeper collaboration with Fintechs:** Agility will be key to meeting consumer expectations for hyperpersonalized services, intuitive self-service platforms, and seamless engagement across channels. Partnering with Fintechs will help lenders pioneer new products such as embedded mortgage calculators and digital closing solutions, delivering the digital-first experience that customers expect while lowering acquisition costs.



Let's take a closer look at the opportunities on the horizon for mortgage lenders, and how investments made today in the core technological building blocks that underpin AI-first transformation will bring greater resiliency to players in the sector, as well as framing the next era of mortgage lending.



Smart Underwriting

Steeped in labor-intensive manual reviews, traditional underwriting processes exacerbate the boom-and-bust cycle lenders find themselves subject to as application volumes oscillate in response to the rise and fall of interest rates. A lack of agility is to blame – and reducing the amount of manual intervention throughout the mortgage cycle is the answer.

Large volumes of data sit at the heart of underwriting. So, maximizing the value of this data by finding a better way to process and analyze it will be a driving force for innovation. Leveraging AI and machine learning to shift from descriptive and prescriptive analytics to predictive analytics for more intelligent decision-making will help lenders to identify risks, spot emerging trends, and keep up with regulations while speeding up the loan approvals process.

This has widespread benefits. Not just in terms of transforming underwriting by heavily reducing manual effort, but in driving efficiencies throughout the business, establishing data pipelines that will underpin the personalized experiences needed to keep customers happy, and to help lenders maintain a competitive edge.

In 2025, then, the more effective use of data isn't just a nice-to-have – it's a critical necessity. However, this isn't possible without modernization. Aging core infrastructure is hindering innovation and growth, with almost two-thirds (60%) of lenders citing legacy systems as a primary barrier to transformation.¹ The inability to implement real-time updates, access modern tools, or integrate APIs to unlock streamlined data flows all present barriers to delivering this.

To overcome these hurdles and set the stage to transform underwriting, lenders should focus on the following areas:

Data and analytics: Smart underwriting relies on a strong data foundation to feed AI models for risk assessment, decision-making, and personalization. Creating a unified data layer through a centralized data lake, bringing together customer data such as transaction histories, credit scores, and utility bills, as well as insights from every touchpoint, will be vital – and can improve underwriting model accuracy by 30%.²

- As part of the data consolidation process, ensure safeguards are in place to protect sensitive customer information and adhere to regulations.

Cloud infrastructure: The advanced models used for AI-powered underwriting will need to scale dynamically based on demand. This requires a shift to cloud infrastructure, which can deliver the flexible compute resources needed to achieve this without the heavy capital expenditure that would come with on-prem systems. Adoption is already underway, with 70% of US mortgage lenders planning to migrate core systems to cloud-based platforms by 2027.³

- Auto-scaling and load balancing through the cloud will help insurers manage peak application periods, dynamically scaling resources in response to demand without significantly increasing operating costs or affecting quality.

Application modernization: AI will need to be integrated throughout back-end systems to enable this transformation. By leveraging machine learning models, loan origination systems (LOS) and risk management systems can better assess borrower risk, predict loan performance, and detect potential fraud.

- Refine and test AI models based on real-world feedback and new data to create a continuous feedback loop that will constantly improve predictive capabilities, further increasing accuracy and efficiencies. In turn, this will help tackle fraud-related losses, which exceeded \$4 billion in 2024.⁴



Digital operations: Automating manual and repetitive tasks involved in core operations – such as income verification – will allow lenders to optimize workflows and boost efficiency, minimizing the risk of error and ensuring application meets regulatory requirements, while also delivering clear business outcomes. For example, automated loan tracking can reduce time-to-close by 20%⁵, and cut the time spent on document verification by half.⁶

- Look at implementing AI-driven Optical Character Recognition (OCR) technologies to automatically extract data from customer documents. This can be layered with Natural Language Processing (NLP) to automate the verification of that data.

Change management: Smart underwriting will require lenders to foster a culture of innovation, with employees fully embracing new AI tools. This will require comprehensive training to ensure underwriting teams can capitalize on the full value of automation to help reduce manual effort and improve decision-making efficiency.



Automating Loan Origination for Bottom-Line Outcomes

A major US lender was looking to transform its mortgage origination process to reduce costs, improve efficiencies and accuracy, and increase customer satisfaction.

Sutherland implemented a solution using AI-powered tools to streamline loan pre-approvals. This involved automating and optimizing credit analysis and scoring, financial documentation review on income, assets, expenses, and debt, as well as loan estimates.



THE IMPACT:



faster
cycle times



increase in
loan volumes

Customer-Centric, Self-Service Digital Platforms

Like every sector, lenders are facing the growing expectation for seamless, digital-first experiences. Consumers have come to expect real-time access to account management functionality and updates to loan applications, in addition to a personalized and highly tailored experience – and they want it through the channels and platforms they choose.

In fact, in 2025, an increasing number of consumers will base their choice of lender on these very factors: 68% of borrowers are more likely to choose a lender that offers personalized mortgage solutions⁷, while 85% of those under 40 prefer providers offering self-service capabilities.⁸ Consumers want to be able to act fast, whether that's locking in a preferable rate or

making an offer on a house in a market with low supply. Lenders need sophisticated, intuitive platforms that empower customers and deliver on self-service expectations as a result.

AI capabilities are key to making this a reality. Advanced chatbots, for example, can provide personalized recommendations and answer customer queries in real-time, guiding them through the mortgage process step by step. Self-service functionality drives efficiencies for lenders, too, helping streamline the application process and allowing customers to submit documents and receive updates through a centralized platform, thereby reducing call volumes and branch visits.

Lenders looking to implement AI-driven, digital-first engagement models should look to establish the following foundations:

Data and analytics: Harnessing a centralized data and analytics layer as a springboard, lenders will be able to fully aggregate data from all customer touchpoints and enable true hyperpersonalization across every stage of the borrower experience.

- Explore deploying an AI-driven recommendation engine to dynamically deliver content and tailored suggestions based on real-time inputs and historic data on each individual customer.

Application modernization: Integrating AI capabilities like advanced chatbots will help lenders deliver the seamless, omnichannel experiences consumers demand.

- Consider using AI to deliver real-time in-app messages, products, and updates, and integrate advanced chatbot functionality into all customer-facing platforms. For example, using virtual assistants to handle borrower inquiries, pre-qualifications, and document submissions.

Cybersecurity: Digital platforms, and the increased volume of customer data they'll hold, are prime targets for cyber-attacks. Lenders must take steps to introduce secure access controls and continually monitor digital platforms to detect potential security flaws and data leaks.

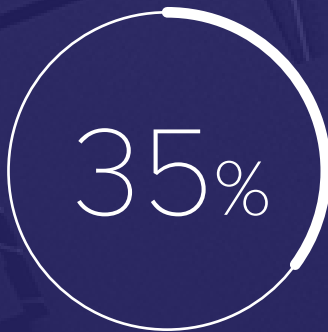
- AI can assist here too, with advanced threat detection tools that leverage machine learning to identify and respond to risks as they arise.

Enhancing the Borrower Experience With AI

For a leading US lender, providing a seamless, value-added experience was non-negotiable. But legacy systems and manual processes were slowing down and hindering the borrower journey.

Sutherland implemented a customer portal for the lender, providing services such as loan pre-qualification, application tracking, and real-time support to enhance customer satisfaction.

THE IMPACT:



higher loan completion rates



Deeper Collaboration With Fintechs

Implementing AI into core business functions and operational processes will determine how effectively mortgage lenders drive growth, boost efficiency, and continue to meet evolving customer expectations in the future. But this is only one piece of the puzzle, and they will need to innovate continually to stay competitive.

In 2025, partnerships between lenders and Fintechs will help accelerate the scaling of innovation in the mortgage industry. By integrating Fintech solutions into their core operations,

lenders can overcome tech debt and increase agility by ‘plugging the gaps’ in their tech stacks and bringing new, digital-first services to market without having to build systems from scratch. This can help lenders quickly solve specific pain points in the mortgage process, further streamlining the customer journey and improving the speed and ease of applications.

Mortgage lenders looking to partner with Fintechs to gain a strategic advantage should consider:

Data and analytics: For collaboration to succeed, data sharing must be streamlined and secure. This will depend on having robust data governance policies in place for managing the flow of information, and the ability to easily integrate partner data into existing data lakes for a single, unified view of customers.

Cloud infrastructure: Partnering with Fintechs requires flexible, cloud-based systems that can make it easier to integrate a lender’s existing systems with Fintech services.

- Cloud APIs can streamline this process, enabling the faster deployment of Fintech services.

Digital operations: With some Fintechs specializing in non-traditional lending models, mortgage lenders can use partnerships to accelerate the launch of services tapping into new market segments.





Laying a Foundation for Growth in the Mortgage Sector

Driven by evolving consumer expectations, market demand and dynamics, it's clear that the US mortgage industry will continue to evolve at a faster pace than ever before. In fact, over the next decade, the industry will witness accelerated AI adoption and digital transformation, which will redefine operational models and borrower experiences.

2025 serves as the ideal time for lenders to modernize their systems and integrate AI and automation across business operations, allowing them to gain a competitive edge and get ahead of the next spike in mortgage applications as interest rates stabilize.

Unlocking Digital Performance. Delivering Measurable Results.

At Sutherland, we are a leading global business and digital transformation partner. We work with iconic brands worldwide in Healthcare, Insurance, Banking & Financial Services, Communications, Media & Entertainment, Technology, Travel & Hospitality, Logistics, Retail, Energy & Utilities industries. We bring our clients a unique value proposition through market-leading technology and business process excellence. Leveraging our advanced products and platforms, we drive digital transformation, optimize critical business operations, reinvent experiences, and pioneer new solutions, all provided through a seamless “as a service” model. For each company, we tailor proven and rapid formulas to fit their unique DNA. We bring together human expertise and artificial intelligence. In short, we do digital chemistry. It unlocks new possibilities, great client partnerships, and transformative outcomes.

